

Message Text

LIMITED OFFICIAL USE

PAGE 01 NEW DE 02383 170536Z

17

ACTION NEA-16

INFO OCT-01 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00 CIEP-03

COME-00 DODE-00 EB-11 FPC-01 H-03 INR-11 INT-08 L-03

NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01 SCI-06

SP-03 SS-20 STR-08 TRSE-00 FRB-03 FEA-02 PA-04 PRS-01

USIA-15 DRC-01 /170 W

----- 037062

R 170400Z SEP 74

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 3946

INFO AMEMBASSY JIDDA

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

LIMITED OFFICIAL USE NEW DELHI 2383

E.O. 11652: N/A

TAGS: ENRG, BTRA, IN, SA

SUBJECT: GOI OIL TEAM RETURNS FROM SAUDI ARABIA--CRUDE OIL
IMPORTS CANCELED

REF: NEW DELHI 11485

1. ACHIEVING THE LEAST DESIREABLE OF THE OPTIONS KNOWN
TO HAVE BEEN AVAILABLE TO THE GOI, INDIA REPORTEDLY (FINANCIAL
EXPRESS) "WRIGGLED OUT" OF ITS COMMITMENT TO IMPORT CRUDE OIL
FROM THE SAUDI ARABIAN NATIONAL OIL COMPANY, PETROMIN (REFTEL).
DURING HIS SEPT. 1-10 VISIT TO SAUDI ARABIA, PETROLEUM MINISTRY
SECRETARY, P.K. DAVE (AND OTHERS), HOPED TO NEGOTIATE EITHER
(1) A GOI/PETROMIN DEFERRED PAYMENT PLAN (SIMILAR TO AGREEMENTS
CURRENTLY HELD WITH IRAQ AND IRAN), (2) A CRUDE OIL PRICE
REDUCTION, OR (3) AN ESCAPE FROM INDIA'S ON-GOING GOI/PETROMIN
CRUDE SUPPLY CONTRACT. IT APPEARS THAT HAVING FAILED IN ITS
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 NEW DE 02383 170536Z

FIRST TWO PRIORITIES, INDIA (NOT UNEXPECTEDLY) SETTLED FOR THE THIRD.

2. INDIA IMPORTED FROM PETROMIN ABOUT 1.1 MILLION TONS (8.0 MILLION BARRELS) OF LIGHT ARABIAN PARTICIPATION CRUDE DURING CY 1973, AND WAS UNDER CONTRACT TO PURCHASE SIMILAR VOLUMES DURING 1974 AND 1975. OF THIS YEAR'S QUOTA, THE GOI RECEIVED THROUGH JUNE 0.65 MILLION TONS (4.7 MILLION BARRELS) AT A DISCOUNTED CASH PRICE OF \$10.83 PER BARREL AND WOULD HAVE BEEN REQUIRED TO PAY A SIGNIFICANT PENALTY IF INDIA HAD REFUSED SUBSEQUENT DELIVERIES WITHOUT THE APPROVAL OF PETROMIN.

INSTEAD, PETROMIN HAS REPORTEDLY AGREED TO A CANCELLATION, INCLUDING A WAIVER OF THE PENALTY CLAUSE FOR THE REMAINDER OF THE YEAR, AND HAS OFFERED INDIA A SIMILAR REPRIEVE ON NEXT YEAR'S CONTRACT AS WELL.

3. THE "LOSS" OF SOME 3.3 MILLION BARRELS OF LIGHT ARABIAN CRUDE DURING THE BALANCE OF 1974 IS NOT EXPECTED TO SERIOUSLY AFFECT INDIA'S CURRENTLY-PLANNED REFINING OR CONSUMPTION PATTERNS. LIMITED INCREASES HAVE ALREADY BEEN GRANTED TO EXXON, BURMAH-SHELL AND CALTEX (IN ANTICIPATION OF THIS MOVE) AND PRESUMABLY THE REMAINDER MAY BE PURCHASED ALSO AT THE BETTER PRICES AVAILABLE THROUGH THESE SOURCES (REFTEL), IF CONSUMER DEMANDS SO DICTATE. FOREIGN EXCHANGE SAVINGS MAY THEREFORE BE ON THE ORDER OF \$3.0 MILLION IF THE FULL 3.3 MILLION BARRELS LOSS IS TO BE MADE UP, OR COULD EVEN REACH A THEORETICAL \$35.0 MILLION IF NONE IS REFLECTED IN THE YEAR-END TOTAL. IN ANY EVENT, AND APART FROM SAVINGS, THE CANCELLATION OF THIS HIGH-PRICED, NO CONCESSION, CRUDE CONTRACT MAY BE EXPECTED TO BE RECEIVED FAVORABLY IN INDIA'S POLITICAL CIRCLES--IF EVENTS PROVE THAT OVERALL GOI/SAUDI ARABIAN GOVERNMENT RELATIONS HAVE NOT BEEN DAMAGED IN THE PROCESS.

4. WE ARE PRESENTLY PREPARING A DETAILED STUDY FOR EARLY REPORTING ON INDIA'S ACTUAL JANUARY-SEPTEMBER 1974 CRUDE OIL AND PRODUCT IMPORTS. WE WILL SHOW THAT, WHILE THE COST IMPACT HAS BEEN UNDERSTANDABLY SEVERE, THE GOI HAS NOT DEVIATED NOTABLE FROM ITS PRE-EMERGENCY CRISIS PROGRAM FOR OIL IMPORTS AND CONSUMPTION. THERE HAVE BEEN NO MAJOR CUTBACKS OR IMPORTANT COST SAVINGS EFFORTS, EVEN THOUGH STATEMENTS IN PARLIAMENT AND LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 NEW DE 02383 170536Z

THE PRESS CONTINUE TO IMPLY OTHERWISE.
SCHNEIDER

LIMITED OFFICIAL USE

NNN

*** Current Handling Restrictions *** n/a

*** Current Classification *** UNCLASSIFIED

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CONTRACTS, IMPORTS, NEGOTIATIONS, PETROLEUM, PRICES, TRADE VISITS
Control Number: n/a
Copy: SINGLE
Draft Date: 17 SEP 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: cunninfx
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974NEWDE02383
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: D740260-0399
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740982/aaaagwpa.tel
Line Count: 116
Locator: TEXT ON MICROFILM, TEXT ON-LINE
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 74 NEW DELHI 11485
Review Action: RELEASED, APPROVED
Review Authority: cunninfx
Review Comment: n/a
Review Content Flags:
Review Date: 16 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16-Aug-2002 by cunninfx>; APPROVED <04 MAR 2003 by cunninfx>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> jms 971020; jms 971020; jms 971020
Subject: GOI OIL TEAM RETURNS FROM SAUDI ARABIA-CRUDE OIL IMPORTS CANCELED
TAGS: BTRA, ENRG, IN, SA
To: BOMBAY
JIDDA
STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005